
OFA Amended Bill Analysis

sSB 1127 (as amended by Senate “A” and Senate “B”)

An Act Increasing Certain Bond Authorizations for Capital Improvements, the Capital City Economic Development Authority, and the Convention Center and Sportsplex in Hartford and Associated Development Activities.

SUMMARY: The act does the following:

1. It authorizes the issuance of \$844.2 million in General Obligation (GO) bonds in FY 00 and \$670.1 million in FY 01 (see Further Explanation below).
2. It authorizes the issuance of \$64.6 million in Clean Water Fund revenue bonds in FY 00 and \$66.9 million in FY 01 (see Further Explanation below).
3. It cancels \$286.9 million in GO bonds. Section 10 cancels \$12.5 million in bonds related to Corporation Tax credits (see Background below) and Section 65 cancels the \$274.4 million (\$250 million plus inflation) authorization for the New England Patriots stadium made by PA 98-1 (December Special Session).
4. Section 1 requires that a capital development impact statement be filed with the Secretary of the Office of Policy and Management (OPM) for each proposed Urban Act bond allocation, before the State Bond Commission can vote on the proposal.
5. Section 4 cancels Local Capital Improvement Project grants-in-aid older than 5 years unless the town requests a waiver from OPM. The provision is effective 3/1/00.

6. Section 6 transfers loan repayments made under a Connecticut Housing Finance Authority mortgage refinancing program, to the General Fund.
7. Section 9 imposes an annual reporting requirement on the University of Connecticut for the UConn 2000 program. The report must include: (1) the use of bond funds in the current fiscal year, (2) projected use of bond funds for the next fiscal year, (3) an updated master plan for the balance of the project, and (4) the use of Connecticut-owned businesses, including businesses owned by women and minorities. It must be submitted to the Finance, Revenue and Bonding Committee beginning 1/1/00.
8. Section 13 increases from 20% to 30%, the level of reimbursement for nitrogen removal grants made under the Clean Water Program.
9. Section 16 provides \$2 million from the Manufacturing Assistance Act allocation, for a pilot program to make grants to businesses in designated areas of the state for construction, renovation or improvement of small manufacturing facilities. The grants must be matched by funds from the business, a municipality or another financing entity. The Department of Economic and Community Development is required to designate areas of the state where manufacturing is a substantial part of the local economy and to make grants under the pilot program which are likely to produce a significant economic development benefit for the designated area.
10. Sections 61 and 62 permit the magnet inter-district University School located on the University of Hartford campus, and the Early Childhood Regional Educational Center magnet school to receive a higher level of funding than they were previously eligible for.
11. Section 24 authorizes an additional \$35 million in General Obligation (GO) bonds for a convention center in Hartford, for a

total bond authorization of \$190 million (see Background below). The bonds may not be issued after 6/30/05.

12. The act provides \$215 million for a sportsplex in Hartford. Section 28 authorizes \$115 million in GO bonds, which may be issued for up to 30 years. Section 63 redirects \$100 million in cash that was provided for the New England Patriots stadium by PA 98-1 (December Special Session). The money is deposited into a sportsplex construction account.

The sportsplex is a 40,000 seat, multipurpose sports and entertainment facility, expandable to 50,000 seats. The act gives the secretary of OPM broad powers to plan, develop, construct, and operate it. The operations include booking events, ticket sales and promotions, parking management, concessions and merchandise sales and broadcast activities. He can contract for any of these and other facility activities. He can make agreements with the University of Connecticut with respect to playing its home games at the sportsplex. The sportsplex naming rights may also be sold.

The state will own the sportsplex and the personal property in it. The act allows the secretary of OPM to award the construction contract to the prime contractor on a negotiated basis. The prime contractor must either pay prevailing wage or enter into a project labor agreement. The prime contractor and the sportsplex manager must make reasonable efforts to hire qualified Hartford residents and minority group members for all levels of construction and operations jobs at the facility.

The secretary of OPM must prepare an annual operating and capital budget for the facilities. And he must create a Hartford Sportsplex Enterprise Fund. The fund receives revenues from sportsplex and parking facility operations and pays for their

operation. It also includes a capital replacement account to pay for budgeted and emergency replacements and improvements.

13. Section 29 authorizes \$50 million in GO bonds for parking facilities associated with the projects in the Capitol City Economic Development District. The bonds may be issued for up to 30 years.
14. Section 30 prohibits spending any money on the convention center, sportsplex and parking projects or related private developments such as a hotel or retail space, until (1) the state receives a legally enforceable commitment from private investors for the private developments (at least \$40 million for the hotel) and (2) the legislature reviews all plans and financing arrangements. The legislature must vote on the development plan and can reject it by a majority vote of both legislative houses.

Section 64 permits the state and the Capitol City Economic Development Authority (CCEDA) to (1) pay preliminary costs incurred prior to the effective date of this act and, (2) award contracts and to incur and pay other preliminary costs of the overall project. The state may spend up to \$8 million from the sportsplex construction account for these expenses. CCEDA may spend up to \$3 million from bonds authorized for the convention center project.

15. Section 43 exempts the sportsplex, parking facilities, and the convention center site and any lease hold interests in them from municipal property taxes. Section 54 exempts sales of goods and services related to construction and future improvements of the projects from the sales tax, and Section 55 exempts the facilities from the real estate conveyance tax. Section 57 makes sportsplex events subject to the 10% tax on admissions charges. The events subjected to the tax would otherwise have been exempt by law because: (1) they are paid by elderly service centers, (2) the events

are to benefit organizations exempt from federal income tax, or (3) they are primarily to benefit federally tax-exempt organizations and the Department of Revenue Services determines that the organization's net profit will exceed the tax that would have been collected without the exemption.

16. The act expedites procedures for obtaining state licenses and permits in connection with building the Capitol City Economic Development District, including environmental impact evaluations and approvals.

It also exempts both the sportsplex and parking facilities or the overall project from a variety of state laws, including those requiring the state to offer land to a town before selling it, local zoning approval, life cycle cost analysis, conformance with the state Plan of Conservation and Development, and state review and certification of developments generating large traffic volume.

17. The act authorizes the secretary of OPM to purchase or take control of property and public service facilities in order to construct the sportsplex or parking facilities, preserve public safety and the functioning of these sites or the convention center, or make related infrastructure improvements. The secretary, or an agent, is granted access to property for surveying and testing. The state is required to compensate people aggrieved by the state's acquisition and testing of property, and appeal procedures are provided for people who disagree with the secretary's assessment of the damages they suffer.

18. The act makes various changes to CCEDA's responsibilities, duties, and employees. By including CCEDA employees under the definition of "state employee", Sections 51 and 52 make them eligible for state-funded group hospitalization, medical and surgical insurance coverage and retirement benefits.

EFFECTIVE DATE: Upon Passage

FURTHER EXPLANATION

The table below shows the agencies, purposes, amounts and section numbers for the bond authorizations and cancellations in the bill:

<u>Agency/Description</u> <u>Increased Authorizations/(Cancellations)</u>	<u>Bond Authorization</u> <u>(\$ millions)</u>	
	<u>FY 00</u>	<u>FY 01</u>
<u>Dept. of Economic and Community Development</u>		
Urban Action Grants Section 2(b)(1)	5.0	5.0
Manufacturing Assistance Act Section 16	35.0	35.0
Convention Center Section 24	35.0	0
<u>Office of Policy and Management</u>		
Urban Act Grants Section 2(b)(6)(B)	125.0	125.0
Capital Equipment Purchase Fund Section 3	27.0	21.0
Grants-in-aid for local capital improvements Section 5	30.0	30.0
Sportsplex Section 28	115.0	0
Parking Facilities for projects in Capitol City Economic Development District Section 29	50.0	0
<u>Department of Social Services</u>		
Day Care Facilities Section 11	1.0	1.0

Agency/Description <u>Increased Authorizations/(Cancellations)</u>	Bond Authorization (\$ millions)	
	FY 00	FY 01
<u>Department of Agriculture</u>		
Agricultural land preservation	1.0	0
Section 12		
<u>Department of Environmental Protection</u>		
Clean Water Fund General Obligation bonds	43.4	53.1
Section 14		
Clean Water Fund revenue bonds	64.6	66.9
Section 15		
<u>Department of Education</u>		
School construction grants-in-aid – principal	370.8	339.0
Section 14		
School construction grants-in-aid – interest	<u>6.0</u>	<u>61.0</u>
Section 15		
Total GO bonds	844.2	670.1
Total Revenue bonds	64.6	66.9
<u>Cancellations of Prior Authorizations</u>		
Corporation Tax Credits (see Background below)	(12.5)	0
Section 10		
Patriots Stadium	<u>(274.4)</u>	<u>0</u>
Section 65		
Total Cancellations	(286.9)	0

BACKGROUND

Economic Development Projects in Hartford

PA 98-179, “An Act Concerning Redevelopment Projects in Hartford, Bridgeport and New Haven” describes the boundaries of the Capitol City Economic Development District and establishes the

Capitol City Economic Development Authority (CCEDA). It authorizes a total of \$300 million in GO bonds for projects located within the District, of which \$270 million is authorized through the Department of Economic and Community Development (DECD) and \$30 million is authorized through the Regional Community-Technical College System.

The \$270 million authorization through DECD includes:

\$155 million for a convention center, of which \$2 million is available in FY 99 and \$153 million is available in FY 00. The act prohibits the issuance of the \$153 million until CCEDA receives a legally enforceable commitment from a private sector investor or developer for:

At least \$40 million in private investment to construct a hotel in conjunction with the project, and

At least \$170 million in additional private investment in either the convention center or related development in the Capitol City Economic Development District.

The authority must find that this related investment would not have been developed without the convention center. The act specifies that state or municipal pension investments can be counted as private investments.

\$15 million for the Civic Center, available beginning FY 99

\$25 million for riverfront infrastructure, of which \$6 million is available in FY 99, \$12 million is available in FY 00, and \$7 million is available in FY 02

\$35 million for housing projects, of which \$7 million is available in FY 00 and \$14 million is available in each of FY 01 and FY 02

\$15 million for parking projects, of which \$5 million is available in each of FY 99, FY 00 and FY 01

\$25 million for demolition and redevelopment projects, of which \$5

million is available in FY 99, \$7 million is available in FY 00, \$8 million is available in FY 01, and \$5 million is available in FY 02

PA 98-179 also authorizes \$30 million through the Regional Community-Technical College System for a downtown higher education center. The funds are available in FY 00. (Please note that SA 98-9, "An Act Concerning the Authorization of Bonds of the State for Capital Improvements and Other Purposes," authorizes an additional \$22 million in FY 99 to the Regional Community-Technical College System for the Capitol City Community-Technical College.)

PA 98-1 (December Special Session) authorized \$274.4 million (\$250 million plus inflation) in GO bonds and provided \$100 million in cash for the Patriots stadium. This bond authorization was in addition to the bonds authorized by PA 98-179.

Bonds related to Corporation Tax Credits

PA 95-2 permitted the state to take the rights of holders of certain state and municipal bonds to exclude the interest on those bonds earned or accrued after 1/1/92, from their corporation business taxes. Under federal law, a state cannot tax interest on federal bonds unless it taxes interest on its own bonds. Excluding interest on the bonds affected by this act jeopardized Connecticut's ability to tax federal bond interest. The act authorized \$48 million in GO bonds to: (1) compensate bondholders for this taking, (2) to make refunds to corporations that held these state and local bonds for the taxes they paid on interest on federal obligations, and (3) for administrative costs associated with the taking.

COMMENT

The Appropriations Act, SA 99-10, appropriates \$55 million from the projected FY 99 surplus for the interest subsidy portion of school construction grants-in-aid payments to municipalities due in FY 00. The FY 00 bond authorization for this item has been reduced to reflect the appropriation.

PA 99-01 (JSS) repeals Section 45 of this act. The section required the state to indemnify and hold harmless against personal liability, financial loss or related legal expenses, state officers or employees executing agreements involving the Capitol City Economic Development District, the sportsplex or any facility operation.

The local capital improvement (LoCIP) fund (Section 5) consists of a \$30 million general obligation bond authorization. The fund is used to reimburse municipalities for costs of infrastructure and capital facility projects, such as road construction, sewage treatment plant repairs, emergency communication system and public park improvements, and public building renovations. Each town's allocation is determined by a formula that compares its highway miles, population, population density, and per capita property wealth to the total for all towns.

PA 99-66, "An Act Concerning the Duties of the Department of Information Technology Concerning Aid to Municipalities for Year 2000 Computer Compliance", allows municipalities to use LoCIP funds until 12/31/00 for capital expenditures necessary to achieve Y2K compliance. Municipalities may also bypass competitive bidding requirements by signing contracts with vendors approved by the state's Chief Information Officer (CIO) no later than 12/31/00, to fix municipal software programs with Y2K problems.

The Appropriations Act, SA 99-10, appropriates \$20 million from the projected FY 99 surplus for local capital improvement grants to municipalities. **PA 99-1 (June Special Session) provides that these funds may be used for equipment leasing and acquisition, including rolling stock, motor vehicles, computers, computer software and licensing fees, for public schools and municipalities.**

COMMITTEE ACTION

Finance, Revenue and Bonding Committee

Joint Favorable Substitute

Yea 45 Nay 0